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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Market Structure Branch**

**RESOLUTION T-16943
June 16, 2005**

R E S O L U T I O N

Resolution T-16943. Rural Telecommunications Infrastructure Grant Program.

Resolution Authorizing the Disbursement of Funds for Grants from California High Cost Fund A for Indian Springs School District.

SUMMARY

As part of the Rural Telecommunications Infrastructure Grant Program, this resolution grants a disbursement of \$2,500,000 in funds from the California High Cost Fund A to the Indian Springs School District.

BACKGROUND

Legislation and Rulemaking

California Assembly Bill (AB) 140 (Ch. 903, Stats. 2001) created the Rural Telecommunications Infrastructure Grant Program. The first of its kind in the nation, the program provides grants of up to \$2.5 million per project, with total grant funding of \$10 million per year, for construction of telecommunications infrastructure to low-income, rural communities currently without telephone service. The legislation required the California Public Utilities Commission (CPUC or Commission) to develop eligibility criteria for community-based groups to apply for grants and establish a government-industry working group to develop technical criteria for use in evaluating grant applications.

On February 27, 2003, the Commission issued an Order Instituting Rulemaking (Rulemaking 03-02-034) to develop application eligibility criteria. After consideration of comments, the Commission issued an interim decision adopting an application process and eligibility criteria for the grant program on September 18, 2003 (Decision 03-09-071). On March 17, 2005, the Commission subsequently issued Decision 05-03-005 which

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adopted the interim grant program administration rules from D.03-09-071 as final rules and closed the Rulemaking.

Previous Year's Grants Program (2003-4)

The PUC received three applications for grants during the first year funding cycle. On June, 8, 2004, the Commission approved Resolution T-16846, providing funding for all three projects. The Yurok Tribe in Humboldt County was awarded \$2,500,000.00 for a wireline telecommunications project. The community of Iowa Hill in Placer County was awarded \$1,834,900.00 for a combination wireless and wireline infrastructure project. Trinity County was awarded \$2,500,000.00 to build ten cell tower sites throughout the county.

Application Process

The application process is divided into two phases: Phase 1 is the qualifying phase, in which applicants must provide information required in the legislation (information about their community and its residents, financial information, letters of support from the local government and other affected governmental agencies, letters of support from 75% of the identified residential community, and identity of the fiscal agent). Upon the successful completion of Phase 1, applicants are required to submit more detailed Phase 2 information consisting of items such as feasibility and construction cost studies. For fiscal year 2004-05, Phase 1 Applications were due on February 15, 2005, and Phase 2 Applications were due by May 2, 2005.

Statewide Public Information Meetings

During the first year of the grants program (2003-4), the Telecommunications Division (TD) staff held public meetings throughout the state to inform community groups of the application process and to answer questions of potential applicants. Meetings were held throughout the state in locations such as Coachella, Independence, Lakeport, Eureka, and Susanville. TD staff also sent 1,900 meeting notices with program information to local government entities and community-based groups.

For this year's funding cycle, , TD sent out some 3,000 notices in December 2004 to local government entities and community-based groups informing them of the program and soliciting grant applications. Dozens of phone calls were received from potential applicants.

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The Government Industry Working Group

The enabling legislation required the CPUC to establish a Government-Industry Working Group (GIG) to develop the technical criteria for use in evaluating grant applications. In Decision 03-09-071, the Commission approved working group representatives from SBC California, Verizon, CPUC staff, and the following individuals: Former Assembly Member Virginia Strom-Martin, Steve Bowen of the Bowen Law Group, and Regina Costa from TURN. The decision also approved membership of one representative each from the CLEC industry and wireless sector and directed Telecommunications Division staff to fill those vacancies with qualified representatives. Jeff Compton of Telscape Communications and Chris Johnson of T-Mobile were subsequently chosen to fill those respective slots.

The GIG held its first meeting on February 23, 2004 to discuss technical criteria for evaluating grant applications. Several additional meetings were held via teleconferencing in April and May 2004 to finalize the technical criteria for evaluating grant applications. Criteria include determining consistency with the enabling legislation, technical feasibility, a determination that the chosen technology is a cost effective telecommunications application, that the program exhibits a sound work plan, and the project will provide real public benefit to the served community. When the GIG met in May 2005 to consider the current proposal, these technical criteria were applied.

DISCUSSION OF APPLICATION

Indian Springs School District in Big Bend, CA

By the February 15, 2005 deadline, the CPUC received a Phase 1 application from the Indian Springs School District in Big Bend, California. TD staff reviewed the application and found it compliant with all necessary requirements of the Phase 1 process. The Indian Springs School District was notified they were officially qualified and eligible to submit a Phase 2 Application, the feasibility study detailing the engineering and construction costs aspects of their projects. They submitted a Phase 2 Application by the May 2, 2005 deadline.

The community of Big Bend is located in northeastern Shasta County. Shasta County is one of California's most rural counties, defined as a Frontier area with 1.9 persons per square mile. It is characterized by steep forested mountains and canyons, two large reservoirs (besides Shasta Lake), Iron Canyon Reservoir and Lake McCloud, along with several trout rivers, streams, and numerous creeks. The area from Shasta Lake along Highway 299 East to Highway 89 and north to the Siskiyou county line, is approximately 2,000 square miles. This region has a very low population density and is

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mostly owned by the United States Government and large timber companies, with small private holdings scattered throughout the area. Residents in the area have low incomes, high unemployment and are unserved. The only incorporated cities are Redding, Anderson and the City of Shasta Lake, all located on the Interstate-5 corridor in western Shasta County.

Northeastern Shasta County's extreme geography explains why there is a lack of phone service to many people. Frontier Communications serves part of the area by wireline service to those situated along the paved county roads. Those living down unpaved roads off the main arteries have no access to wireline communication services. Because of the steep, rocky mountainous terrain, effective cell phone service requires the development of many cell phone sites. As such, Frontier does not offer cell phone service nor extend phone lines to areas not served by Pacific Gas and Electric. Jones Valley, six miles north of Highway 299 East, on the Pit River arm of Lake Shasta, suffered a devastating fire in 2004, losing 84 homes. The lack of cell phone communications in the area hindered the early warning of residents because the phone lines were immediately destroyed by the fire. Firefighting efforts were also hindered by a lack of cell phone communications.

The lack of phone service endangers the health and safety of residents and visitors throughout the county. Many residents must travel anywhere from five to twenty miles to a pay phone to report emergencies. This could take an hour to reach a phone. Because of the unique geography of Shasta County, most of the residents are without basic phone infrastructure and service. Due to the prohibitive cost estimates of providing wireline services, wireless phone service is the only viable way to serve these residents, as well as visitors and emergency service providers.

The Indian Springs School District is requesting \$2,500,000 to construct ten cell sites that will provide coverage for most of the communities and roads throughout the area. The school district plans to own the cell towers and proposes to partner with the local cellular provider, Epic Wireless, to engineer the project. Epic Wireless will finalize the cell tower network and get all required permits. The school district will bid, build and own the facilities, leasing each tower site to as many as three cellular providers.

Funding Recommendations

On May 13, 2005, the GIG conducted a thorough, unbiased review of the India School District Application. The GIG evaluated the application, measuring it against developed technical criteria, determining it consistent with requirements of the legislation, technically feasible, a cost effective chosen technology, exhibiting a sound work plan, and achieving real public benefit. The GIG recommends full funding of the

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proposal subject to the applicant providing clarification of certain technical issues. TD has reviewed this recommendation and has prepared this resolution.

NOTICE/PROTESTS

The Telecommunications Division concludes that the applications filed by the Indian Springs School District meets the requirements set forth in California Assembly Bill 140 (Ch. 903, Stats. 2001) and Commission Decisions 03-09-071 and 05-03-005 and recommends that the Commission approve the grant application. Commission approval is based on the specifics found in the Phase 2 Application, and does not establish a precedent for the contents of future filings or for Commission approval of similar requests.

FINDINGS

1. Indian Springs School District timely submitted a Rural Telecommunications Grant Application for wireless telecommunication network infrastructure in the amount of \$2,500,000.
2. The Government-Industry Working Group has conducted a thorough, unbiased review of the application, measuring it against established technical criteria, and recommends full funding of the proposal subject to the applicant providing clarification of certain technical issues.
3. The source of the funds for these grants is the California High Cost Fund A.
4. The Telecommunications Division concludes that the application meets the requirements established by California Assembly Bill 140 and Commission Decisions 03-09-071 and 05-03-005.

THEREFORE, IT IS ORDERED that:

For the Rural Telecommunications Infrastructure Grant Program, funds shall be granted from the California High Cost Fund A to the Indian Springs School District to develop

1. The Wireless Network Infrastructure in northeastern Shasta County in the amount of \$2,500,000.

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2. The Commission's Information and Management Services Division is authorized to enter into an agreement with the fiscal agent Indian Springs School District in the amount of \$2,500,000.00.

This Resolution is effective today.

I hereby certify that the Public Utilities Commission at its regular meeting on June 16, 2005 adopted this Resolution. The following Commissioners approved it:

STEVE LARSON
Executive Director